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FINAL REPORT OF THE
FIRST MEETING OF THE NORTH AFRICAN SUB-REGIONAL COMMITTEE
OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS,
HELD AT ALGIERS, FROM 15 TO 20 MAY 1972

I. The first meeting of the North African Sub-regional Committee of the Association of African Central Banks was held at Algiers from 15 to 20 May 1972, under the chairmanship of Mr. Seghir MOSTEFAI, Governor of the Central Bank of Algeria, who was elected Chairman by the Sub-regional Committee on the occasion of the meeting of the Association of African Central Banks at Rabat in September 1971.

(a) Opening of the meeting

The meeting was opened by the Minister of Finance of the Democratic and Popular Republic of Algeria. In his speech, the Minister welcomed the delegates of the Central Banks represented and expressed his satisfaction at the creation of the Association and the Sub-regional Committee, which enabled African countries to join together at the economic and financial level and to confer on current problems. He also wished success to the deliberations of the meeting.

Mr. Seghir Mostefai, Governor of the Central Bank of Algeria, then gave the opening address, the text of which is reproduced in the annex to this report.

(b) Participants

The five following central banks were represented at the meeting: Central Bank of Algeria; Central Bank of Egypt; Bank of Morocco; Central Bank of Libya and Bank of the Sudan.

The Central Bank of Tunisia, which for important reasons was unable to be represented sent a letter of support and encouragement wishing every success to the deliberations of the meeting.

II. Adoption of the agenda

The agenda, which is annexed to this report, was adopted without discussion.

III. Co-operation between the Central Banks of the member countries

This theme was dealt with in a statement by the delegation of the Bank of Morocco which pointed out the different forms which such co-operation might take. These were:

Monetary and financial co-operation between Central Banks;
Exchanges of information and documentation;
Exchange of trainees;
Organization of seminars for participants from the member countries of the group.

(a) Monetary and financial co-operation between Central Banks

The Governors reviewed the problems involved in monetary and financial co-operation between the member countries. It was considered that the principle of such co-operation was sound, but that the bilateral level was better suited to its development.

The problem of mutual assistance in the form of deposits was considered by the Governors, who agreed to study in detail the technical considerations which would enable the real possibilities in this field to be assessed. By giving priority to the bilateral framework, it is possible to avoid the problems involved in having to rely on external markets for the mobilization of the funds required to meet the needs of the member countries. In effect, having to resort to foreign markets to obtain the resources required results, among other things, in relatively high costs.

In addition to this mutual assistance, co-operation could take the form of agreements between central banks. The agreement between Algeria and Morocco was read as an example of this type of arrangement. This agreement provides for the opening of reciprocal accounts, with a view to operating a clearing system for settlements relating to certain specific transactions. The balances of these accounts are covered periodically in convertible currencies. This system reduces to a minimum the movements of Funds through external markets. It cannot be likened to a conventional clearing agreement, particularly since payments relating to current trading operations are excluded from it. Consequently, the generalization of this type of agreement between member countries within our group does not seem incompatible with IMF regulations.

(b) Exchanges of information and documentation

The need to have regular exchanges of information and documentation was stressed by all the participants. These exchanges should involve not only the publications of the issuing institutions themselves, but also all information available from other organizations in the member countries. Legislations and regulations in the banking and monetary fields should be distributed as they are published, in order to enable the central banks to keep their documentation up-to-date

It was also decided to exchange the various studies undertaken by the different central banks belonging to our group on questions of common interest of mutual concern. The task of promoting co-operation in this field was assigned to the Research Directors of the various central banks.

(c) Exchange of trainees

The exchange of trainees did not present any particular problem. The central banks were prepared to accept, within the limits of their ability, staff from the various institutions who wished to be introduced to current banking practices in each of the countries.

(d) Organization of seminars for participants from the member countries of the group

The participants received with satisfaction the invitation of the Governor of the Bank of Morocco to attend the Seminar on Information Science to be organized by the Bank of Morocco from 23 to 26 May 1972.

IV. International monetary problems

This topic was dealt with in a statement by the Central Bank of Egypt summarizing the effects of the international monetary crisis on the economies of the developing countries. These countries have seen the purchasing power of their reserves substantially reduced, as a result of successive devaluations over the last few years. The failure to settle the problem of parities, combined with fluctuations of exchange rates on the international markets has caused considerable damage to many developing countries produced a deterioration in their debts position.

In addition to the efforts at various levels - particularly within the framework of IMF and UNCTAD - to find a solution to the international monetary problems, the delegates expressed their support for all attempts to reform the international monetary system while taking account of the specific interests of the countries of the third world.

After extensive discussion of this complex problem, the Governors concluded that a number of measures could be taken immediately to remedy the present situation. They recommended, inter alia, that

- (a) compensatory financing be made available to developing countries affected by the devaluations of the major currencies; the question of the dollar's parity and convertibility into gold be settled; the major countries responsible for the calamitous disorder of the international monetary system abide by the accepted rules;

- (b) SDRs be reactivated for a second period beginning in 1973, and that a larger proportion of these be reserved for the developing countries, particularly since they have not benefited from the increase of international liquidities in proportion to the growth of world trade; a link be established between the reactivated SDRs and development financing by providing for additional resources; that SDRs gradually replace the principal reserve currencies as the units of international payments;
- (c) new procedures be set up to facilitate compensatory financing and the financing of buffer stocks; the participation of the countries of the third world be strengthened by associating them more effectively with the decision-making processes; this could be achieved by revising quotas and by increasing the voting rights allocated to each developing country belonging to the Fund.

For the longer term, it is recommended that measures be taken to lay the foundation for a new international monetary system, either through concerted action within the IMF or under the auspices of some other body.

The African countries' proposal to convene a world conference of all members of UNCTAD received the support of the delegates. Such a conference would enable these countries to consider the future role of gold and to establish the principles for a new and more equitable international monetary system which would take account of the development needs of the countries of the third world.

Apart from the solution of the international monetary problems, the growth of the developing countries depends on action being taken to resolve, such questions as debt problems, access to the markets of the industrialized countries and the improvement of the terms of trade.

V. The "Arabization" and standardization of terminology in the fields of banking and foreign trade

In a statement on this item, the Libyan delegation stressed the importance for the member countries of standardizing technical terminology.

The participants emphasized the advantages resulting from the implementation of the measures proposed by the Central Bank of Libya and unanimously reached the following decisions:

- Those countries which have not reached an advanced stage of "Arabization" shall employ the terminology already used in the member countries.
- There shall be an exchange of experts to compare experience in this field.

In addition, the Governors agreed to assign to the Research Directors of the Central Banks the task of exchanging lists of terms used in their respective countries.

The principle of establishing contacts with the specialized organizations of the Arab League was agreed to by the participants.

The problem of standardization is to be placed on the agenda for the next meeting of the Group, so that the progress made in this direction may be assessed.

VI. Operation of clearing agreements

The Algerian delegation presented the problems involved in the operation of clearing agreements, and gave particular emphasis to the following aspects:

- administrative procedures;
- the implementation of the reciprocity rule between contracting parties;
- discrimination in respect of prices;
- the problem of the effects of exchange rates;
- the problem of maintaining the accounts in equilibrium and the mobilization of surplus balances.

After reviewing their own experiences in this field, the participants engaged a wide-ranging exchange of views on the technical problems involved in the operation of these agreements; the observations made revealed that there were a number of problems shared by those countries in the group which had concluded such agreements. The participants agreed to study the possibilities of reducing the administrative formalities and of conducting a regular exchange of information relating to new measures which might be taken in this field. The discussions were fruitful and enabled a number of lessons to be drawn which should improve the management of clearing accounts in the member countries. The discussion of all points raised was very positive.

VII. Election of the Chairman and the next meeting of the Sub-Regional Committee

The Governors proceeded to the election of the new Chairman, in accordance with the rules established at the meeting of the Committee held at Rabat in September 1971. The Governor of the Central Bank of Egypt was elected Chairman. The next meeting will be held in Cairo, before the meeting of the Association of African Central Banks planned for September 1973 at Lagos (Nigeria). The task of drafting the agenda and of setting the date of the meeting was assigned to the current Chairman.

VIII. Visit to industrial installations

From 18 to 20 May 1972, the participants undertook a tour of the country for the purpose of visiting Algeria's main industrial installations.

ANNEX
AGENDA

1. Opening of the meeting
2. Adoption of agenda
3. Co-operation between the central banks of the member countries
 - (a) monetary and financial co-operation
 - (b) exchanges of information and documentation
 - (c) exchange of trainees
 - (d) organization of seminars for participants from the member countries of the group.
4. International monetary problems
5. Arabization and standardization of terminology in the fields of banking and foreign trade
6. Experience of member countries in the operation of clearing agreements
7. Other businesses
8. Adoption of report.

The items below were proposed by the central bank of the countries indicated:

- 3: Morocco
- 4: Egypt
- 5: Libya
- 6: Algeria.